

Summary

A VIEW TO THE SOUTH: Potential low carbon growth opportunities for the Southern Region economy

The Southern Region of New Zealand, comprising Southland, Gore and Clutha Districts and Invercargill City, faces important choices about its future. As for all regions of the world, these choices will need to be made in the context of global, economic, environmental, and political pressures concerning the use of resources.

In particular, although proposals to process lignite - a low energy form of coal - in the Southern Region may contribute to economic growth and create jobs, this development could come at a high cost - adding at least 10 percent per year to New Zealand's greenhouse gas emissions.

To inform debate and aid decision-making on the future economic development choices available to the Southern Region, WWF-New Zealand commissioned BERL, a privately-owned company to provide practical economic research, analysis and advice.

BERL's research explored outcomes, in broad employment and GDP terms, should the Southern Region choose to pursue opportunities to improve on the business as usual outcome of economic growth. BERL was tasked with modelling these opportunities based on the following criteria:

- Sectors that build on existing known competitive advantages in the region
- Sectors that take account of the region's significant land-based economy
- Sectors that have the potential, based on existing viable technology, to be relatively low carbon.

It was beyond the scope of this research to look in detail at all sectors of the Southern Region economy, or to predict the development of new relatively low carbon industries that have yet to gain a foothold in the Southern Region. Other such developments are certainly possible.

Summary of potential growth opportunities for the Southern Region

	Employment (FTEs)		Compared to BAU		GDP (real 2011\$m)		Compared to BAU	
	2011	2026	Number	%	2011	2026	Number	%
Base	55,310				5,195			
BAU		61,810				7,350		
Forestry		62,990	1,180	1.9		7,540	190	2.6
Engineering		62,630	820	1.3		7,460	110	1.5
Education		62,565	755	1.2		7,440	90	1.2
Hort/Crop		62,350	540	0.9		7,410	60	0.8

Source: BERL Calculations

Forestry

Opportunities to sustainably grow the well-established forestry industry in the Southern Region are taken up under this scenario. Here new investment is made, and an expansion in current plantation forests and wood processing is undertaken. Under this scenario, an additional 1,180 FTEs are employment compared to the business as usual scenario, and an additional \$190 million is added to regional GDP.

Engineering

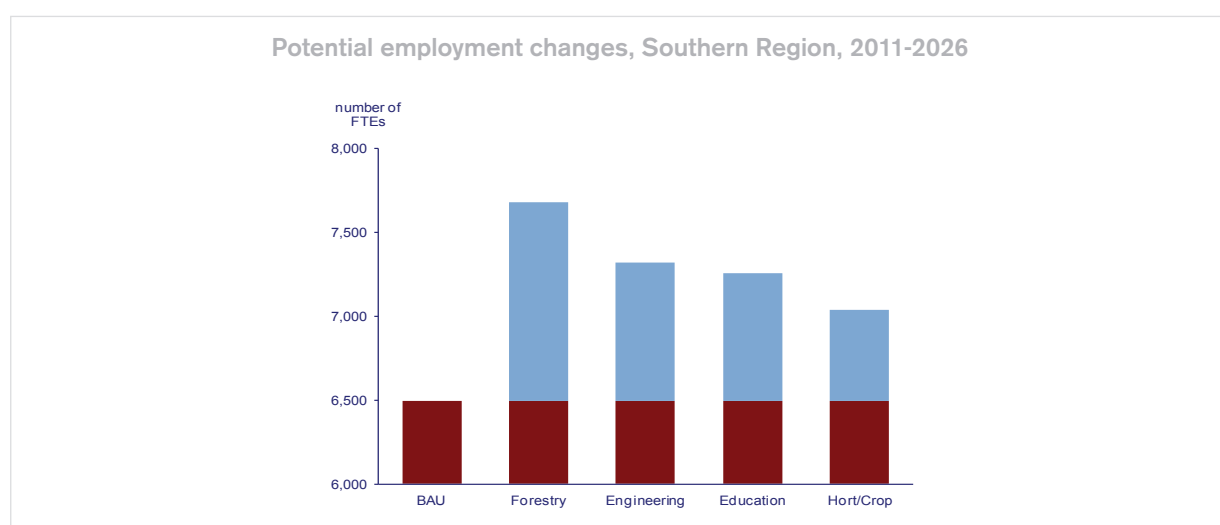
The strengths of the existing engineering and construction trades industries are boosted in this scenario with further research, science and innovation, and developments in markets and supply chains. These developments are aimed at building links with manufacturers' requirements in other regions of New Zealand and beyond. This scenario results in an additional 820 FTEs in 2026, with GDP \$110 million higher, than the business as usual scenario.

Education and training

Collaborative partnerships ensure trained labour is available to meet any proposed regional economic development plans. Businesses increase their investment in education and training to meet growing skill requirements, while individuals invest in education and training to capitalise on labour market demands and wage growth. Under this scenario, an additional 755 FTEs are in employment in 2026 and regional GDP is \$90 million higher than the business as usual situation.

Horticulture

Under this scenario, investment in existing and new horticulture crops has increased along with additional investment in horticulture processes and market research. Existing markets have expanded due to an increase in the volume and diversity of horticulture products on offer, and new markets have developed with an increase in marketing activities. Employment increases by 540 FTEs compared to the business as usual scenario, and \$60 million is added to regional GDP.



Concluding comments

Building on the existing strengths of the Southern Region leads to significant economic gains, as illustrated by each of the scenarios examined.

The Southern Region is endowed with a range of valuable resources and skills. While we have modelled four scenarios, it is also important to acknowledge that developments in other potentially low carbon sectors may also be possible.

If investment challenges such as physical and human capital, and research and marketing are tackled, significant opportunities with the potential for relatively low emissions can arise. Of critical importance is to ensure that there is an alignment of policies at a central, regional and local government level to facilitate such investment. Indeed, their efforts should work towards the realisation of such opportunities.

As global and political influences push economic activity to further improve the efficiency of its resource use, this analysis shows that there remain options and opportunities to continue creating jobs and prosperity in the Southern Region.

To read the full report, go to wwf.org.nz/media_centre/publications/

